

Dynamics of Actors and Institutions in the Formulation of Transportation Policy Based on Information Technology in East Java

Antun Mardiyanta, Faris Widiyatmoko and Allen Pranata Putra

Study Program Public Policy, Faculty of Social and Political Sciences, Universitas Airlangga, Dharmawangsa Dalam Selatan, Surabaya, Indonesia

{antunmar, faris.widiyatmoko.fw, allenpranata777}@gmail.com

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Abstract: Special lease transportation, commonly referred to as online transportation, poses a serious challenge to conventional public transport (conventional transportation). Online transport has established a new market in the transportation industry. Innovation in the continuous development of online transportation means that conventional transportation is increasingly lagging behind. Due to the competition, conventional transportation has lost passengers (consumers) and ultimately income. Regulatory disparities in both online transportation and conventional transportation are considered to be the source of the problem. The Government of Indonesia through the Ministry of Transportation seeks to regulate online transportation through the Minister of Transportation Regulation. This research uses post-positivist methodology, which is qualitative, to explain descriptively the formulation of the online transportation policy. Various actors and institutions are involved to influence the policy formulation process. Actors and institutions are not only trying to have an influence at national level, but also at provincial level. This paper will discuss the dynamics between actors and institutions in the formulation of public policy on online transportation in East Java.

1 INTRODUCTION

Special lease transportation or so-called online transportation provides serious competition for conventional public transportation (conventional transportation) in Indonesia. Online transportation services make it easy for consumers to access transport services, more affordable prices and innovative service features in the digital age. People as consumers have benefited greatly from innovation in the transportation world through the emergence of online transportation.

There are two types of transportation used by the online transportation providers, namely cars and motorcycles. Service by motorcycle in Indonesia is often called *ojek*, while the service by car in Indonesia can be more equated with a taxi. The rapid development of online transport services has raised new problems in the area of public policy, especially in the context of the formulation of policies on online transportation.

Online transportation by motorcycle, or *ojek*, first started operating in Indonesia in 2010, pioneered by Go-Jek using a call center service. Go-Jek is growing rapidly after successfully attracting investors and has a mobile app on Android and iOS-based smartphones. Then online transport companies such as Grab and Uber launched online applications to compete with Go-Jek through GrabBike in 2014 and UberMotor in 2015. Online *ojek* services have become a competitor for the conventional *ojek*, commonly referred to as *ojek pengkolan*, and city public transport (*angkot*), often called *bemo* or *lin*.

Online transportation by car, commonly referred to as an online taxi, presents a challenge to conventional taxis. The Grab company offers two types of transportation for consumers to choose from. First, GrabTaxi is a taxi vehicle partnered with Grab. Secondly, GrabCar uses a private vehicle type with a black plate. Meanwhile, Uber, which is often referred to as a pioneer of online transport in the world of four wheels, began operating in Indonesia in August 2014, two months after Grab. Go-Jek

enlivened the market in April 2016 by providing an online taxi called Go-Car. Transportation service providers based on information technology applications, including Grab, Uber, and Go-Jek (Go-Car), are considered capable of providing solutions and innovation on transportation issues. On the other hand the presence of online transport also causes conflict in the community, especially with the incumbent public transport providers.

There are several cases that show the widespread rejection of online transport. This rejection occurred in several major cities in Indonesia, in response to the rapid development of online transportation from Uber, Grab, and Go-Jek. The action of rejection also turned to violence, such as the incident that occurred in Bogor City between *angkot* drivers and the online motorcycle taxi drivers. In Tangerang City the mass of online motorcycle taxi drivers do the damage (in return) to *angkot*. In front of Gedung Sate in Bandung City, many drivers of *angkot* and conventional taxis took part in rallies to refuse online transportation. In Surabaya, a protest against online transportation was planned by conventional *angkot* and taxi drivers, but the demonstration was canceled and an audience granted with the Governor of East Java. Some of these cases succeeded in attracting public attention in Indonesia.

Law no. 22 of 2009 (Law 22/2009) on Traffic and Road Transportation still does not contain regulations on online transportation. In order for online transportation to have legality in conducting its business, the Minister of Transportation Regulation no. 32 of 2016 about Organizing Public Transport Without Public Vehicles Not In Route (Permenhub 32/2016). On Permenhub 32/2016, online transport is referred to as lease transport (see article 18).

East Java Provincial Government is trying to respond to the phenomenon of online transportation through East Java Governor Regulation (Pergub Jatim). This is to prevent conflict that leads to violence as happened in various regions. Permenhub 32/2016, which was planned to be ratified on April 1, 2017 by the Minister of Transportation, was canceled because of the revision to the Minister of Transportation Regulation no. 26 of 2017 (Permenhub 26/2017). With the revision on April 1, 2017, East Java Governor who has prepared the Governor of East Java null and void. At Permenhub 26/2017 online transport is referred to as special lease transport (see articles 17 and 19). It is worth noting that both Permenhub 32/2016 and Permenhub 26/2017 do not regulate the conventional *ojek* or online *ojek*.

There are several important points contained in the revision of Permenhub 32/2016 to Permenhub 26/2017. Accommodations for online taxis can be seen through Permenhub 26/2017 article 17 which divides rentals in two: common lease transport and special lease transport. The revision of Permenhub 26/2017 contains several important points regarding 1) the type of lease, 2) engine cylinder capacity, 3) the limit of the special lease line (lower tariff limit), 4) vehicle number (STNK), 5) legal entity, 6) periodic test in the form of KIR test, 7) availability of venue for storage of motor vehicles adjusted to the number of vehicles, 8) workshop in the form of vehicle maintenance facilities (can be done in cooperation with other parties), 9) tax, 10) access dashboard, and 11) sanctions if the rules are violated.

The revision of the regulations on online transport has affected the following regulations: Governor Regulation (Pergub). East Java Governor Regulation (Pergub Jatim) to be ratified was invalidated because of the revision of the above regulation, namely Permenhub 36/2016. The absence of regulation on *ojek* both in Law 22/2009 and Permenhub 26/2017 led to the Governor of East Java's proposed initiative to regulate *ojek*. This is done on the basis of the uniqueness of East Java Province. However, this intention must be postponed until Permenhub 26/2017 is ratified.

The term online transportation in this paper encompasses two types of transport: the first is online motorcycles (*ojek*) and the second is online taxis, referred to in Permenhub 26/2017 as special lease transportation. Meanwhile, conventional transportation is divided into two in this paper. The first is public transportation using a motorcycle (*ojek*). The second conventional transportation is four-wheeled transport other than special lease transportation, including taxis, buses, minibuses, *bemo*, *lin*, and so on. However, we recognize that the term online taxi should be used with caution due to conventional cab changes that have begun to use information technology-based applications on smartphones, such as Blue Bird Taxi companies. Nevertheless, given that the regulations on special lease transportation are differentiated from other public transport, we use them to analyze and follow applicable regulations.

This paper focuses on the dynamics of actors and institutions in policy making of the East Java Governor Regulation. As it is known that there are various interrelated actors and institutions in the making of the East Java Governor Regulation, it is

interesting to see the dynamics between actors and institutions that occur.

2 METHODS

This research uses qualitative research methodology. The design of the qualitative methodology is chosen to illustrate how the dynamics of actors and institutions interact in the formulation of an online transport policy. To illustrate the dynamics of actors and institutions, a research framework that puts researchers as part of the research, rather than taking the distance from the world of research. Denzin and Lincoln (2011:3) define qualitative research as a series of research activities used to describe the world through the practice of material interpretation.

Creswell (2015:59) explains that qualitative research places emphasis on flowing research processes, which are imposed on social or human issues with the interpretive lens. In qualitative research the researcher is at the same time the research instrument itself. In this paper two data sources, namely primary and secondary, are used. In this research both data sources are used interchangeably to show the dynamics that occur between actors and in influencing the formulation of online transportation policy.

Qualitative research has several features that distinguish it from quantitative research. According to Neuman (2017:197) there are seven important features in qualitative research. First, researchers capture and discover meaning once they become immersed in the data. Second, concepts are in the form of themes, motifs, generalizations, and taxonomies. Third, measures are created in an ad hoc manner and are often specific to the individual setting or researcher. Fourth, the data are in the form of words and images of documents, observations, and transcripts. Fifth, theory can be causal or noncausal and is often inductive. Sixth, research procedures are particular, and replication is very rare. Seventh, analysis proceeds by extracting themes or generalizations from evidence and organizing data to present a coherent, consistent picture.

3 LITERATURE REVIEW

The formulation of public policy involves various stakeholders and actors, both state actors and non-state actors. Governments act as official policymakers and they have the legal authority to

govern through various policy rules, such as Laws, Ministerial Regulations, Local Regulations, Governor Regulations, and so on. Non-state actors can be involved in policy formulation or not. However, involving non-state actors is very important, as this will affect the legitimacy and effectiveness of the policy.

Policy formulation is the design process for selecting various policy alternatives. The process of policy formulation shows the various competing forces to determine the best policy alternatives. The competing forces in policy formulation involve a wide range of social, political and economic interests. The formulation of policies can be implemented in various ways, such as giving attention to the policy communities, policy subsystems, advocacy coalitions, etc. (Sidney, 2007:79-80).

In the policy subsystem there are three main actors: the congressional committee with jurisdiction, relevant bureaucracy, and interest groups (Workman and Shafran, 2015:256). The online transportation policy set forth in Permenhub 26/2017 (revised to Permenhub 108 year 2017) has a policy subsystem consisting of central government through the Ministry of Transportation; local government through East Java Provincial Government; relevant bureaucracy including department of transportation, police department and so on; and interest groups including conventional transportation entrepreneurs, conventional transportation drivers, app (Go-Jek, Grab and Uber) entrepreneurs, and drivers of online transport. The policy subsystem should actually be differentiated based on the means of transportation used, the ownership system, attitudes toward regulations on online transport, and the various actors that enter and exit the process of influencing policy formulation. However, policy subsystems are used to simplify the problem and provide general descriptions.

The actors involved in policy formulation were also presented by Lester and Steward (2000), who explained that there are four key actors in policy formulation. First, the government agency, which consists of career bureaucrats, are the actors who develop most of the policy proposals (policy initiators). Second is the presidential office, i.e. the president or the executive apparatus. The involvement of the president and the formulation of policies are demonstrated by the establishment of presidential commissions, task forces, and inter-organizational committees. Third is the congress (legislative body), which plays a role in legislating new policies or revising policies that are considered wrong. In democracies, the legislative role in policy

formulation is based on the existence of check and balance mechanisms with the executive. Fourth, interest groups are actors involved in formulating specific policies that are compatible with each interest group.

Institution plays an important role in policy formulation. This was conveyed by Jessop (2001:1226) that any action taken by the actors in giving influence cannot be separated from the institution. Furthermore, Jessop (2001) states that institutionalization involves the identity, interests, motives, and strategies of the actor, not just the actor's behavior and condition. Therefore, the act of each actor has a particular institutional base that makes it selectively and strategically perform the action.

Institutions are social structures that have high levels of resilience. There are three pillars of institutional order, i.e. cognitive, normative, and regulative elements related to resources, providing stability and the meaning of social life. Institutions can be transmitted by different types of operators, including symbol systems, relational systems, routines, and artifacts. Institutions operate at various levels of jurisdiction, from the world system to local interpersonal relations (Scott, 1995).

There are two different views on institutions within organizations. This can be expanded in context not only within the scope of the organization but in society in general. First, Powel and Colyvas (2008:298) explain that organizations are formed by

After the cancellation of Permenhub 26/2017, the Government of Indonesia through the Ministry of Transportation tried to revise rapidly. However, some conflicts resurfaced due to the cancellation of Permenhub 26/2017. One was a demonstration conducted by the drivers of public transportation (*angkot*) in Surabaya, directly in front of the Office of the Governor of East Java. Action held in front of the East Java Governor's Office on October 3, 2017 followed by hundreds of *angkot* drivers. The action was mobilized by three existing *angkot* organizations in East Java: the Federation of Transport Workers Union of Indonesia (FSPTI), the Confederation of All Indonesian Workers Union (KSPSI), and the Surabaya City Transportation Community (KAKS). In general, they argue that online transport has no legal basis, because of the cancellation of Permenhub 26/2017, so online transport should be stopped.

KAKS considers conflict in the community after the Supreme Court (MA) ruling No. 37 of 2017 (MA 37/2017) which states several articles in the Permenhub 26/2017. KAKS demands that the Governor of East Java should urge the Minister of Transportation to issue Permenhub substitute

the surrounding institutional environment. Ideas that can then be institutionalized and considered legitimate and acceptable as a way of thinking of the organization. The process of legitimacy is often done by organizations through pressure from the state and claims. This institutional theory is known for its affirmation of organizations as symbols and rituals. Second, Meyer and Scoot (1983:493) explain that the organization is under pressure from social forces that are useful to complement and align a structure because the organizational structure is not determined by the situation or the task environment, but more by society in general. Therefore, an organization is determined by the effectiveness of legitimacy and rationality in society.

4 RESULT AND DISCUSSION

There were six online taxi drivers who objected and tested several articles contained in Permenhub 26/2017. The lawsuit filed by six taxi drivers online to the Supreme Court made the 14 articles contained in the Permenhub 26/2017 should be revised soon. The granting of the lawsuit by the Supreme Court is considered to be contrary to existing legislation. But the Online Driver Association (ADO) did not actually agree to the 14 articles canceled by the Supreme Court.

Permenhub 26/2017 as soon as possible in order to provide legal certainty. Furthermore, fears of an increasingly widespread conflict in the community will occur if the government through the Ministry of Communications does not immediately respond. KAKS hopes the Governor can pass anticipatory steps in accordance with the autonomous authority of the East Java Provincial Government. In order to maintain conduciveness and security, KAKS proposed that the East Java Governor Regulation in April 2017 be enacted in order to provide legal certainty for the people of East Java, especially with regard to online transportation. However, the authority of the Governor of East Java certainly cannot be done before the Ministerial Regulation is passed and enforced.

KSPSI joined the action on October 3, 2017 to convey the regulatory gap between online transportation and conventional transportation. Online transportation has significantly decreased the revenue for conventional transportation, although the exact figures or average income decline that has occurred due to the emergence of online transportation has not been submitted. The gap in question is related to the rule of law applied to

online transportation and conventional transportation, which is judged unfair by conventional transportation organizations. KSPSI conveys some gap points that have their own analysis, as follows.

1. Conventional public transport.
 - Public transport fleet required to pass KIR.
 - The route taken is determined by the government.
 - Price (lower limit and upper limit) is determined by the government.
2. Online-based transport.
 - Transport fleet are not obliged to take KIR test.
 - Free route; no government arrangement.
 - Price is not determined by government (no lower limit and upper limit).

The regulatory gap made by the government caused the decrease in conventional transportation revenue, as consumers switched to using online transport. Cheap prices, efficient travel, comfort, and convenience are among the reasons why consumers are choosing online transportation. Setting gaps makes online transportation prices cheaper due to lower production costs. The cheap rates offered by online transportation are also one of their business strategies. Therefore, KSPSI demands that the regulation of KIR test and price also apply to online transportation. KSPSI also demands that the route for online transportation be given clear limits, giving rise to similarities with conventional transportation.

Table 1: Comparison of Permenhub 26/2017 and Permenhub 108/2017

| Permenhub 26/2017 | Permenhub 108/2017 |
|---|---|
| Rates are based on the argometer or listed on the online application | Rates are listed on the argometer or application with an electronic document |
| Comply with the lower and upper limit rates proposed by the governor and established Ministry of Transportation | Rates are guided by the lower and upper limits established by the Ministry Transportation of regional proposals |
| Defined by considering the urban classification, development areas, and the availability of roads | Operate in the operating area established by the director general/Head BPTJ/governor |
| The quota considers the needs and potentials of the user increase. Determined every five | Vehicle requirements are established by the director general / governor and announced to the public |

After various demonstrations in several regions, the government tried to revise the Permenhub 26/2017. The revision of the Permenhub 26/2017 was announced on October 19, 2017; there are several articles being amended, but overall they amount to more stringent arrangements on online transportation. The following is a summary of Permenhub 26/2017 and revision of Permenhub 26/2017, which is Permenhub 108/2017, in table 1 (Jawa Pos 2017; Koran Tempo 2017).

Based on Permenhub 108/2017, articles previously canceled by MA are brought back. Articles on the determination of the lower tariff and upper tariff limits, the operating territories and quotas are some of the more vulnerable chapters to potential legal action. Several other chapters, such as the fleet number limit and the app companies also raise the possibility of legal action. In general, Permenhub 108/2017 seeks to impose tighter regulations on online transport, and is therefore prone to incite legal action by the online transport companies.

Permenhub 108/2017 shows the government is trying to improve the respective regulations applied to the online transport network and conventional taxi service. The government strives to apply two regulatory approaches simultaneously to make competition between online transport and conventional transportation better through ex ante and ex post regulations in the transportation industry in general (Wahyuningtyas, 2016:277).

| years and reviewed annually | |
|---|--|
| Vehicle Registration Certificate on behalf of company with document copy of Type Test Registration Certificate (SRUT) | May be on behalf of a legal entity or an individual and attach a copy SRUT |
| Legal entities have at least five vehicles on behalf of legal entities | Individuals who own less than five vehicles form a cooperative |
| | App companies should not act as public transport providers, such as hiring drivers, setting tariffs, providing app access services to individuals, and providing promotional tariffs below established lower limit rates |

Source: Koran Tempo (2017:1); Jawa Pos (2017:1).

The development of technology and information can not be dammed. This development in general has not only occurred in the transportation sector, but increasingly in various sectors. Kasali (2017:165-166) describes this as an era of disruption: a fundamental change in business from the cost structure to the culture, even to the level of industrial ideology. Simply put, if applied to the transportation industry sector, the transportation industry had more emphasis on owning, but now has more emphasis on sharing (sharing, collaboration, network).

The four-wheeler online driver community of Surabaya has objected to some of the articles contained in Permenhub 108/2017. Several articles to be sued by an online transport driver in Surabaya are related to the obligation to install stickers and tariff determination. According to them social conditions are still not possible for dipasangya stickers as a marker of online transportation. When online transportation does not yet have a marker the sticker alone is often getting intimidation, especially after required to use stickers. In relation to the cheap tariffs provided by online transportation, the government should try to improve conventional transportation, which is expensive, rather than trying to impact the cheap tariffs set by online transportation.

Changes in the transportation industry through the widespread role of information technology are hard to resist. Consumers who feel they are getting better and efficient services through online transport have an important role to play in supporting the sustainability of online transportation. Consumers are increasingly making the needs of online transportation fleet is growing rapidly. In addition, investment is also helping to grow online transportation services. Therefore, it is worth looking at the current developments, the development of consumer-based transportation, the number of fleets, and investment (Tempo, 2017).

Table 2: Consumers, Driver Partners, and Online Transportation Investment

| Company | User (Consumer) and Driver Partners | Investment |
|---------|---|--|
| Go-Jek | Consumers: about 20 million per month (for all services) Drivers: about 200 thousand | More than US \$2 billion from Tencent, Nor Thstar Group, Farallon Capital, Sequoia Capital |
| Grab | Consumers: 90 million per month | US \$12 billion from Microsoft, |

| | | |
|------|--|--|
| | (in 20 countries) Drivers: about 6,000 in Indonesia, 600 thousand in Asia Pacific | Softbank, 408 Venture, Baidu |
| Uber | Consumers: 10 million users (seven ASEAN countries) Drivers: 930 thousand in 55 cities in ASEAN | More than US \$5 billion from Softbank, Didi Chuxing |

Based on table 2 the exact number of users and driver partners of each online transport company is still uncertain (still in estimation). However, the development of services and improvements will certainly further enhance the development of online transportation. Go-Jek, as the first online transportation company in Indonesia to use motorcycle taxis and further develop with Go-Car, has 20 million consumers in a month, certainly not a small number. Grab and Uber are similar although there is no exact data on the number of their consumers in Indonesia. This shows the number of consumers for both motorcycle and car taxis in general is very large.

The huge investment in each of the online transportation companies will certainly encourage the development of online transportation. Investment requires ensuring legal, social, and political stability in order to thrive. Certainly with the investment of funds on a large online transport to make the investors must play a role in involving and mempernyaukkan his interests in policy formulation. Go-Jek is currently the main sponsor of League 1 (football) in Indonesia along with another start-up company Traveloka, leading to the name League 1 Go-Jek Traveloka.

The government seems to be stuttering or not ready to understand the emergence of the online transportation industry. This can be seen from the community's refusal and the cancellation of several articles by the Supreme Court. In general, the disruption era requires responsiveness of decision makers. Responsiveness must be balanced with accuracy in seeing the problem. Successful online transportation creates a new market and changes consumer behavior, which seems to be an obstacle for the government to formulate the right policy.

5 CONCLUSIONS

Some conclusions have been drawn from the discussion. First, the government, through the regulation of the minister of transportation, is not ready to face the development of information technology in the transportation industry. Second, the government tries to match online transportation and conventional transportation in running its business. Third, there is a possibility of legal action being brought against Permenhub 108/2017 because it still includes articles that have been rejected by the Supreme Court. Overall, the revision of Permenhub 26/2017 seeks to limit the movement of online transportation. Fourth, online transportation is growing very rapidly in a short period of time. This can be seen from the number of users (consumers), partners (drivers), and the great amount of investment.

The government needs to be careful in looking at the phenomenon of online transportation. Equating online transport and conventional transportation will certainly lead to more complicated issues. The government seems to want to limit the space for online transportation, whereas the development of technology and information cannot be stopped. From this, the government needs to learn, and make the rules more comprehensive. Instead of protecting the incumbent (conventional transport), it is better to start looking at future aspects, to change the face of public transportation through information technology.

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